

CRH plc Interim Results 2004

Liam O'Mahony, Chief Executive

Introduction

Good morning ladies and gentlemen and welcome to the CRH Interim Results presentation for 2004. I am Liam O'Mahony, Chief Executive and with me here today is Myles Lee our Finance Director. Over the next while we will take you through the outcome for the first half of the year for CRH together with the outlook for the remainder of the year and at the end, of course we will be very pleased to deal with any questions you may have.

H1 2004 Highlights

Dealing first with the highlights, CRH has had a particularly strong first half with good organic growth reflecting more normal seasonal weather patterns in Northern Europe and North America, modest market improvements, significant contributions from the record 2003 acquisition activity and only a modest adverse profit translation impact. As you can see sales of €5.7 billion were up +22% on 2003, operating profit before goodwill of €385 million was +57% higher and profit before tax of €275 million was up +71%.

On a per share basis, earnings per share before goodwill was up +64% to 47.3 cent and after goodwill up +72%. Cash earnings per share are up +33%.

Despite challenging trading conditions over the past three years, the Group has delivered a compound annual dividend increase of +10.6% while maintaining high dividend cover, strong free cash flow and sustained development spend. With the improved trading outlook the Board has decided that a higher ongoing annual dividend increase is appropriate and has decided to pay an interim dividend of 9.60 cent per share, an increase of +17% on 2003. We expect that the final dividend will show a similar percentage increase. This is our 21st consecutive year of dividend increase.

H1 2004 Overview

Turning to a broad overview: a strong start to the year with limited negative translation impact of €4 million – Myles will deal with this impact more fully later.

In Ireland residential construction and volumes grew strongly, however, prices failed to compensate for cost increases, leaving profits similar to 2003.

In the UK, euro profits increased by +8% reflecting organic profit improvements and a slight strengthening of Sterling.

In Mainland Europe, our operating profit was up +111%. More normal weather conditions for our Materials operations resulted in much better demand with the Division realising a substantial advance with good organic improvement. On the Products & Distribution side we continued to experience

subdued markets but benefited from internal improvements and strong contributions from the 2003 and 2004 acquisitions.

In the Americas euro operating profits were up +69%. Our Materials businesses traditional first half seasonal losses were lower than in 2003 and on the Products & Distribution side we enjoyed a strong organic advance with sustained residential demand and ongoing evidence of an improving non-residential sector.

We spent €0.7 billion on 21 deals, the highlight being the Group's 49% equity stake in Secil, the Portuguese cement, aggregates and readymixed concrete producer, completed on 3rd June. Overall we had, and continue to have, a good deal flow and of course we have a very solid financial base with interest cover 13 times (rolling 12 months) on an EBITDA basis affording us significant capacity to avail of further value enhancing deals while implementing strong dividend increase.

Republic of Ireland

Dealing firstly with the Republic of Ireland market you can see the figures set out here. Sales of €386 million up +9% and profits similar to H1 2003 at €68 million. Operating profit in all of these tables excludes goodwill amortisation and also profit on disposal of assets. The table goes across to analyse this change and for the Republic of Ireland it's all on the organic side.

The residential sector continued to grow strongly in the first half of the year, while commercial and industrial activity remained flat. After the expected slow start to the year infrastructure activity picked up in the second quarter.

Volumes increased in cement, concrete, blocks and blacktop and while margins declined somewhat, operating profits were maintained. Margins declined from 19.4% to 17.7% due to the under-recovery of cost increases.

Looking to the year as a whole, we see continued momentum in residential activity with an estimated 76,000 housing completions versus 68,800 in 2003. An improving GDP outlook (+4.7%) should stimulate non-residential construction and we expect a busy second half with Euroconstruct forecasting +6% construction growth for the full year.

Britain and Northern Ireland

Turning now to Britain and Northern Ireland sales here were €366 million, an increase of +7%, with operating profit of €32 million, up +8%. As you can see from the box on the right-hand side the slightly stronger sterling exchange rate against the euro, +2%, led to a positive translation impact of +€5 million sales and +€1 million in operating profit. There was a positive sales impact from the small acquisition in 2004 of *Airvent*, while organic profits were up +€1 million on sales increase of +€19 million.

Ibstock brick first-half volumes were slightly lower than 2003, consistent with the market, but profits were modestly ahead as further price increases more than offset higher costs.

We enjoyed good demand for our concrete products but insulation activity was lower.

In Northern Ireland, housing and infrastructure markets saw higher activity and profits improved.

The outlook for 2004: Euroconstruct are forecasting total construction up +3.2% with new-residential up +5.4%. We do not see any imminent pick up in overall UK brick demand but lbstock price improvements should generate further second half benefits. Our Materials operations in Northern Ireland continue to perform well. We expect higher full year Sterling and euro operating profits in this region.

Mainland Europe - Materials

More normal weather conditions for our Mainland Europe Materials operations resulted in a much better demand backdrop and the Division had a +28% increase in sales to €567 million with operating profits up +91% at €63 million. Again this is analysed on the right hand side, you can see a small negative foreign exchange impact on sales reflecting a weaker zloty and Swiss franc. There were good incremental contributions from acquisitions made in 2003 and 2004 and an excellent organic increase with sales up +€49 million and operating profits up +€22 million.

In Poland we had a particularly strong start to the year with a +17% increase in first-half cement volumes. Demand levels in May/June, following the 1st May VAT increase on building materials, continued at a satisfactory, if slightly lower, level.

Finnish cement volumes were up approximately +10% benefiting from better weather and the inclusion of Abetoni from January.

Good demand from major infrastructural projects in Switzerland continued in the first half of the year and we achieved a good initial contribution from Hastag, acquired in January, which has a very strong market position in the cantons of Zurich and St. Gallen.

Price improvements and cost efficiencies offset readymixed concrete volume declines in Spain resulting in a similar outcome to 2003.

Our first-half results include our 49% share of Secil's sales and operating profits for the month of June, which were on target.

Overall we had a substantial improvement with a significant organic advance.

Europe Materials – 2004 Outlook

You can see here the Euroconstruct 2004 construction forecasts for our major Mainland European Materials markets. All show an increase with the exception of Portugal -4.9%, although we feel this may be somewhat pessimistic.

Our Polish and Finnish operations will face tougher second-half comparisons as the second half of 2003 saw a strong recovery from weather depressed demand levels in the first half.

We expect our Swiss operations to continue strong helped by infrastructure demand and the Hastag acquisition.

Price and efficiency improvements in Spain should compensate for slower markets and the second-half will benefit from our 49% share of Secil's operations. Overall we expect a good full year 2004 outcome.

Mainland Europe – Products & Distribution

Turning to the Products & Distributions businesses in Mainland Europe, here we had sales of €1.7 billion up +56% on last year and operating profits of €121 million up +124%, with overall margins ahead by 2 percentage points. As you can see a foreign exchange impact here of -€9 million on sales, with no significant profit impact. We achieved strong contributions from the record 2003 development spend. In the first half of the year this Division incurred €2m re-organisation costs, similar to 2003 and therefore no incremental impact here. Although markets remain subdued in the first-half benefits from internal improvements resulted in good organic growth with +€10 million profit increase on sales up +€32 million.

Looking at the major sub-product groups in Mainland Europe, our Distribution businesses had a good first-half benefiting from the +€25 million incremental EBITA from the Cementbouw and other 2003 acquisitions plus good underlying improvements in our Benelux and Swiss operations. Overall operating profits here are up €31 million.

In our Concrete Products Group, Sand Lime and Cementbouw JV operation, incremental EBITA from the Cementbouw and other 2003 acquisitions amounted to +€24 million. In Concrete, we saw the start of some recovery in residential demand in the Benelux and the utility sector in France. Our EHL group, which operates principally in Germany, continued to perform well although profits declined slightly due to delays in passing on cement price increases. In Holland, Sand Lime performed strongly but the Cementbouw JV has been affected by weakening infrastructural demand. All in all a strong performance with operating profits +€26 million ahead of first-half 2003.

Our Clay Brick business made modest progress in tough markets; Holland and Poland were ahead, Germany was flat. Overall Clay Brick operating profits were up +€2 million.

Our Insulation profits benefited from contributions from the 2003 purchase of Unidek, +€2 million. We had advances in our underlying Polish and Nordic

operations, but Germany and Holland were lower; leading to overall first half Insulation gains of +€3 million on 2003.

And finally our Building Products business, here a steady performance in both our Fencing and Daylight & Ventilation businesses, together with strong incremental contributions from our 2003 building accessories and fencing acquisitions, led to operating profits being up +€5 million.

Europe Products & Distribution – 2004 Outlook

Turning to the full year outlook for our Mainland Europe Products & Distribution businesses: Euroconstruct are forecasting increases in our main markets with the exception of the Netherlands –0.3%. We expect the market backdrop for our Products & Distribution businesses to be more subdued than for our Materials operations although there are signs of a slow pick up in Dutch, Belgian and Danish residential activity. Emphasis will be on recovering increasingly higher input costs particularly in our Concrete and Insulation groups; together with a continued focus on integrating 2003 acquisitions, now largely complete, and delivering synergies. A strong full year profit advance is expected.

Americas - Materials

Now moving across the Atlantic to the Americas, dealing first with the Materials business. Sales here up +4% at €955 million and first-half seasonal operating losses of €31 million, +21% better than last year. Looking across the table you can see the weaker US Dollar/euro rate resulted in a negative translation impact of -€92 million on sales but a favourable impact of +€4 million at operating level due to seasonal losses. The incremental contribution from 2003 acquisitions is negative due to the first time inclusion of SE Johnson's winter losses in Ohio and Michigan. 2004 acquisitions had a modest impact on Sales and EBITA. Organic sales increased by +€73 million and an operating profit improvement of +€8 million was, to an extent, constrained by higher energy input costs.

In New England, activity picked up in May and June after a somewhat slow start.

Our New York/New Jersey businesses had a better performance, with good demand against a background of more normal weather conditions in the first-half 2004.

The Central group had mixed trading with a weak start in Michigan and the first time inclusion of S.E. Johnson winter losses offset by good early demand in Ohio and Pennsylvania.

In the West we had a strong start to the season with across the board improvements.

First-half heritage volume changes, excluding the impact of recent acquisitions, were +6% aggregates, -2% asphalt, +15% readymixed concrete. As usual of course there were regional variations.

Americas Materials – 2004 Outlook

Looking at the outlook for Americas Materials. The Federal highway budget shows a US\$33.6 billion figure, up +7% on last year. State finances are generally improving, although this varies by individual state. As you know a number of states also increased their gas taxes dedicated to highways in recent years.

We continue to experience good demand backdrop and backlogs across our operations.

There has been strong activity in the Western region through July and August, however the Northeast and Midwest have been hampered by extremely wet weather.

The sustained record high energy prices are feeding through to input costs and will have a negative impact in the second half.

Americas – Products & Distribution

In our Products & Distribution Division in the Americas, sales were up +11% at €1.7 billion and operating profits of €132 million were up +33% on the first-half 2003. Foreign exchange had a more significant impact here, the translation impact of the weaker dollar knocking -€142 million off sales and -€11 million off operating profits. There were positive incremental contributions from the 2003 and 2004 acquisitions adding a combined +€17 million to operating profit, together with an organic increase in sales of +€159 million and operating profit of +€27 million.

Looking at the four sub-product groups within the Products & Distribution Division, the Precast Group's improved performance evident in the second half of 2003 continued into 2004 reflecting the benefits from the cost reduction measures of recent years, with profit improvements across all regional divisions and in utility. Overall operating profits here were up +€12 million.

The Architectural Products Group saw operating profits advance +€22 million. Demand from hardscape and retail segments was strong and the Glen-Gery brick business was also ahead. Most regions enjoyed good activity, the Midwest being the main exception.

The Glass Group's underlying profits improved somewhat reflecting a modest improvement in non-residential demand. Our operations continued to out perform in a very competitive environment. Total group operating profits here increased +€1 million.

Our Distribution business benefited from strong RMI markets, particularly in the Northeast and we continued to build on the solid progress of recent years with further margin improvement. Overall operating profits here were up +€7 million.

In South America, we experienced good growth in clay products in Argentina, leaving overall operating profits for the first-half +€2 million above last year.

Americas Products & Distribution – 2004 Outlook

Turning to the outlook for Americas Products & Distribution. Though recent US economic data suggests some slowdown in the rate of growth, GDP is still forecast to increase by about 4.5% this year, housing starts should continue at a high level, forecast at 1.9 million, up +4%.

There are also signs of a slow pick up in non-residential activity following the declines of recent years.

This division is substantially recovering higher input costs and overall we expect a good second half and a satisfactory full year profit advance.

US Distribution Asbestos Claims

Dealing now with the Asbestos claims experienced by our US Distribution group. There has been no material change in the position here.

You will recall that we announced at the end of September 2002 that we had 251 claimants related to claims received over the prior five or six years.

Since then we have had 83 new claimants notified in the last 23 months. I would emphasize this is 83 not 83,000. So 83 new claimants notified in the last 23 months. Since September '02 we have disposed of 18 claims for US\$25,500 gross in total terms, and that's before insurance recoveries. At 27th August 2004 we had 316 claimants outstanding.

We believe these claims against our Distribution group are without merit. All claims involve multiple co-defendants, in fact getting on for about 100 co-defendants on average per claim.

These are all modest numbers of claims and we continue to work on settling claims, but we're only prepared to do this on a minimal and pragmatic basis.

Our experience over the past 23 months would very much confirm our view that the claims outcome will not have a material impact on CRH or indeed on our Distribution group.

H1 2004 Europe Acquisitions

Acquisition activity for the first half 2004 saw continued progress in our development strategy of bolt-on deals with a total acquisition spend of €0.7 billion on 21 deals spread across all regions and Divisions.

Europe Materials contributed €465 million of this, the highlight being the 49% equity stake in Secil, the Portuguese cement, aggregates and readmixed concrete producer, also with operations in Tunisia and Lebanon. As you know there are shareholder agreements in place that make this effectively a joint venture. The Division also acquired *Hastag Holding* in Switzerland, a major aggregates and readmixed concrete producer and *Abetoni* a market-leading producer of concrete pipes, piling and paving in Finland. The slide shows the annual sales levels in each of these businesses.

Europe Products & Distribution had a development spend of €99 million in the first-half. The Concrete Products group acquired *Ergon* a Belgian precast concrete producer with French and Polish operations. In June, the Clay Brick Group purchased *De Saegher*, the leading specialist brick merchant in Belgium. Our Daylight & Ventilation Group expanded its presence in the UK through the acquisition of *Airvent*, a manufacturer of smoke and heat exhaust ventilation systems. The Distribution Group increased its joint venture stake in French builders merchant *G. Doras*. You can also see here the annualised sales impact on CRH of these transactions

H1 2004 Americas Acquisitions

In Americas Materials there was a €58 million spend on seven bolt-on deals yielding annual incremental sales of US\$42 million. The New England Group completed two deals enhancing aggregate reserves in Maine. The New York/New Jersey Group enhanced their long-term sand and gravel reserves in Rochester, New York. The Central Group purchased a 200 million-ton quarry in Ohio and completed an asset swap transaction whereby Shelly's asphalt and paving assets in Cincinnati were exchanged for an asphalt and paving operation in the Delaware/Maryland peninsula; an aggregates, asphalt and paving business in Maine and a stone quarry in Ohio. The West Group acquired aggregate and readymixed concrete activities in New Mexico and Utah.

And finally on the Americas Products & Distribution side, a spend of €78 million. APG – the Architectural Products Group - acquired a 50% stake in Florida paving producer *Paver Systems*, with a put/call option over the outstanding 50%. APG also undertook two investments in product areas complementary to its significant retail activities supplying the major home centre chains. These were the purchase of *Greenleaf Products*, a leading supplier of bagged lawn and garden products with three bagging plants in Florida, Georgia and Mississippi, and an 80% stake in *Custom Surfaces*, a market-leading fabricator and installer of marble, granite and solid surface countertops in Georgia and the South. The Distribution Group expanded into Hawaii with the purchase of *G.W. Killebrew*, the largest distributor of interior products in the Hawaiian Islands. In June, we acquired the final 20% stake in the Chilean glass business *Vidrios Dell Orto*. Again this slide shows you the annualised incremental sales impact for these investments.

So all told a busy first-half on the acquisition front.

I will now hand you over to Myles Lee, who will take you through the financials.

Myles Lee
Finance Director

H1 2004 COMPONENTS OF GROWTH

Liam has given you the usual detailed and transparent analysis of our results by region and division and I would like to pull the various components together to show the overall movements at Group level.

You can see at the top of this slide our reported Interim 2003 Sales, Operating Profit (EBITA), Goodwill amortisation, profit on disposals, interest expense and profit before tax.

Below this we show the adverse impact of restating these Interim 2003 figures at the average first half 2004 exchange rates. This restatement reduces reported Sales by approximately 5% principally due to the weaker US\$, however, because of low seasonal first half profitability in the US the impact on Operating Profits (EBITA) and on Profit before Tax is a more muted 2% to 3%.

Exchange effects will of course be much more significant in the second half because of the bias in US profitability towards the second half of the year and we have provided an estimate of the impact in our outlook statement.

2003 Acquisitions

Moving down from the restated Interim 2003 Results we show the incremental contribution from 2003 acquisitions which added €744 million in Sales, € 61 million in Operating Profits and €21 million to PBT in the period. This is a strong contribution and of course includes the major 2003 Cementbouw acquisition in the Netherlands which contributed sales of € 434 million and operating profits of € 42 million in its first full half year as part of the CRH Group.

2004 Acquisitions

As Liam has outlined our acquisition spend in the first half of 2004 amounted to € 700 million on 21 deals. The largest of these deals our 49% investment in Secil was only completed at the beginning of June so the incremental impact from first half 2004 deals is a relatively modest € 152 million at Sales level, € 17 million at Operating Profit level and € 11 million at PBT level.

Organic

Finally I think the most significant item on this slide is the strong organic growth which the Group has delivered in the first half of 2004 with all four Product Divisions contributing to a € 68 million euro increase in Operating Profits. This coupled with a € 18 million reduction in our ongoing interest charge by reason of our strong cash flow gives an organic contribution of € 86 million euro at the profit before tax level representing approximately 75% of the total first half profit increase.

KEY FINANCIAL DATA AND RATIOS

I would like to deal quickly with some key performance ratios

With a 57% increase in Operating Profit and a 22% increase in Sales all our key margins have improved registering advances of 1.4 to 1.5 percentage points compared with first half 2003. I think it is also interesting to note that these three margins also show an advance on the first half of 2002 which did not suffer the severe weather conditions we faced in the first half of 2003.

Our tax rate as a percentage of profit before tax at 25% was 1 percentage point lower than in the first half of 2003. For the full year 2003 the tax rate worked out at 25.2% and for the full year 2004 we are confident that the tax rate should not exceed 25%.

CASH EARNINGS PER SHARE & DIVIDEND

You are aware Cash Earnings per Share and Dividend are two measures to which CRH attach great importance.

As you have already seen reported EPS pre goodwill amortisation increased by 64% in 2003.

Our first half 2004 depreciation charge amounted to € 242 million equivalent to 45.8 cent per share an 11% increase.

EPS pre goodwill combined with depreciation per share gives reported Cash Earnings per Share of 93 cent with an increase of 33%.

Dividends

Over the past three years, despite difficult markets CRH has maintained earnings growth and has paid compound annual dividend increases of 10.6%. This has been an exceptional performance given the building materials sector background. Now with the improved trading outlook we have decided that a higher ongoing annual dividend increase is appropriate, hence the 17% rise in interim dividend to give our 21st consecutive year of dividend increase.

FUNDS FLOW

As usual we present a summarised funds flow as an alternative to the rather complex statutory cash flow statement. We believe that this is a much more user-friendly format and shows very clearly how we are generating and using our cash.

Inflows

The inflows for the half-year are pretty straightforward;

Profit before tax at € 275 million - a 71% increase on 2003 levels

Depreciation at € 242 million – up 12% on the 2003 level

Goodwill of €49 million is higher than the reported 2003 level of €35m.

Taken together the total inflows amount to € 566 million some € 154 million or 37% higher than last years reported figure of € 412 million.

Outflows

Turning to outflows

The working capital outflow in the first half of the year was very similar to last years with both numbers reflecting the traditional seasonal first half build up in working capital levels.

You may remember that in presenting the full year 2003 funds flow statement last March I indicated that the reason why full year tax payments in 2003 were lower than 2002 despite higher profits was that some US tax payments had been deferred into 2004. These amounts were paid in the first half of this year and have contributed to a doubling of our tax payments in the period.

The approximately 11% increase in dividend payments reflects the good final 2003 dividend increase which was paid in May.

Capital expenditure at € 259 million represents 1.07 times of depreciation, a somewhat higher ratio than last years 1.01 times. This reflects the fact that with improving markets we have eased somewhat the tight reins on capital expenditure which have obtained in the challenging markets of recent years.

Other outflow movements at € 22 million are higher than last years level a fact principally accounted for by the rise in our share of profits in joint ventures and associates which do not impact directly on CRH group net debt.

Taken together total outflows in the first half amounted to € 768 million just over € 100 million higher than last year.

Net Operating Cash Outflow

As a result of the above inflows and outflows our net operating cash outflow in the first half was approximately € 50 million lower than last year.

In terms of acquisitions we spent € 700 million in the first half on some 21 deals including over € 300 million for our 49% stake in Secil.

Disposals yielded a higher level than 2003 while share issues arising from scrip dividend take up and exercise of options were also ahead of last year's level.

Translation effects, principally reflecting the strengthening in the US\$ from 1.26 to the euro at end 2003 to 1.2155 at end June 2004 had an adverse impact on debt of € 61 million, however shareholders funds benefit to the tune of a net € 122 million.

In summary net debt increased by € 867 million during the 6 months which is over € 100 million less than the combined amount spent on acquisitions and seasonal working capital build up.

DEBT RATIOS AND INTEREST COVER

This slide shows net debt of € 2.3 billion at June 2003 with a similar level at December 2003. This maintained level reflected the traditionally more profitable second, the seasonal unwinding of the first half working capital build up and some favourable translation effects.

As we have seen our net debt has increased by approximately € 900 million in the first half of this year but Shareholders Funds has also improved to leave end June Debt to Shareholders funds ratio at a comfortable seasonal 62%.

With the good share price performance over the past 12 months our market capitalisation has advanced from € 7.2 billion to € 9.2 billion to leave the debt to market capitalisation ratio practically unchanged over the past year at 35%.

However, although debt ratios are important, we regard EBITDA Interest Cover as the most meaningful measure of CRH's financial capacity and our rolling 12 month cover to June 2003 of over 13 times leaves us in a very comfortable position.

EBIT Interest Cover similarly shows a positive trend and is also at a comfortable level so you as can see CRH is very well placed to take advantage of attractive acquisition opportunities as they arise in its various Product Divisions.

CONCLUSION

Hopefully these few slides first half 2004 results, and I will now hand you back to Liam to deal with the full year outlook.

H1 Summary & 2004 Outlook Overall

Thanks Myles, so now finally to sum up. As I stated at the outset we enjoyed a strong first-half out-turn with a good organic bounce back from weather depressed 2003, significant incremental impact from the record 2003 development spend and 2004 acquisitions, and a modest adverse translation impact due to seasonally low first-half US\$ profits.

The second-half will be affected by sustained high world energy prices and rising input costs, a lower incremental acquisition impact than in the first half compared with 2003 and a circa. €26 million adverse second half PBT translation impact, based on current exchange rates.

However, markets are on balance better with improved activity across much of our business and we expect to deliver a healthy full year profit advance with a likely full year dividend increase in line with the Interim.

Thank you very much for your attention, Myles and I would now be very pleased to deal with any questions you may have.